

# ***The Current Picture of Fee for Service in the Workforce Development System***

## **REGIONAL EMPLOYMENT BOARD OF HAMPDEN COUNTY, INC. FEE-FOR-SERVICE RESEARCH PROJECT**

1-800-787-1516

WEB site at [usworkforce.org /onestop/careercenter](http://usworkforce.org/onestop/careercenter)

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***SPECIAL THANKS is extended to the individuals that responded to our survey and to those “pioneering” organizations that let us visit them to learn about their fee for service program activities!!***

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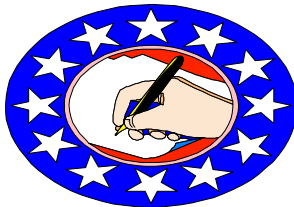
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## I. Overview

The concept of “fee-for-service” is a timely and much-discussed topic in the publicly-funded workforce development system. Interest in this subject represents the confluence of several recent trends. One of these is the “Reinventing Government” movement. In his article, “*Putting Customers First*,” Vice President Albert Gore mentions fee-for-service in this context:



*Our nation’s economic future depends on the quality of our workforce...No where on the government reinvention front is action more urgently needed or are potential rewards greater...We envision a new workforce development system, focused on the needs of workers and employers...career centers and training providers will have to compete for their customers’ business, based on the quality of their services...Some centers might offer other services, from comprehensive testing to career counseling and workshops, on a fee-for-service basis....The centers would also be allowed to generate their own revenues, including fees collected from employers and employees who could afford to pay.<sup>1</sup>*

Other trends which have served as driving forces behind interest in the fee-for-service concept include:



***The increased focus on customer needs and customer satisfaction.*** The interest in better customer service is occurring in workforce development organizations of all types, across the country. The “Simply Better” effort by the U.S. Department of Labor/ Employment and Training Administration represents movement in this direction. Those workforce development organizations who are already involved in fee-for-service activity cite customer responsiveness or better customer service as the main reason they became involved in offering fee-based services.

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<sup>1</sup>Gore, Albert, “Putting Customers First,” in National Performance Review, (<http://www.npr.gov/library/nprprt/annrpt/redtpe93/211e.html>) September 7, 1994



***The One-Stop Career Center movement.*** This movement, in particular, is attempting to remove artificial program barriers in order to provide needed services to job seekers and employers. The implementation of One-Stop Career Centers has produced imaginative thinking about how to provide customers with what they need. Fee-for-service activity is seen as one vehicle for providing services that are not feasible through grant funding alone. Within the One-Stop Career Center grant funding process as administered by the Employment and Training Administration, fee-for-service was mentioned as a program option. Some states have encouraged fee-for-service activity in their implementation of One-Stop Career Centers. Others are struggling with the idea, particularly from within the Wagner-Peyser funded Employment Service which has additional legal constraints regarding their ability to charge fees and to retain any excess revenues.



***Limited resources.*** The public workforce development system is increasingly being asked to serve greater numbers of job seekers and employers at the same time that public resources, especially for universal-access services, are constrained. In this environment, workforce development professionals are groping for new strategies to stretch public sector dollars further. Therefore, charging employers or job seekers a fee for “enhanced” services is seen as a viable strategy for supplementing government funds. This might allow workforce development organizations to be able to continue to service their traditional clientele and perhaps reach new customers as well.

Until now, debates about charging fees have occurred without the benefit of comprehensive information about what is actually practiced in workforce development programs around the country and why. In mid-1996, the U.S. Department of Labor/Employment and Training Administration funded several system-building projects. The Regional Employment Board (REB) of Hampden County in Springfield, Massachusetts received one of these system-building grants to study the status of fee-for-service in the workforce development system nationwide. During the last fourteen months, the REB Fee-for-Service Project has:

- ✍ Conducted interviews with dozens of individuals at organizations that already charge fees for services, leading to a “First Impressions” study of fee-for-service among “cutting edge” organizations. (Report published in December, 1996)
- ✍ Implemented a fee-for-service worldwide web site ([www.careercenter.org](http://www.careercenter.org)) which collects and disseminates information, materials and resources related to fee-for-service and facilitates the exchange of opinions and ideas through an on-line “Crossfire Forum.”

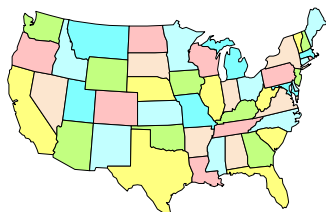
- ✍ Sent a formal, comprehensive survey on fee-for-service activities as they exist today to 900 workforce development organizations and analyzed the 224 responses. A complete report on the findings of this survey were published in June 1997, and can be found on the project's website.
- ✍ Conducted case studies of organizations that pioneered the fee-for-service concept--in Chautauqua County, New York; La Crosse, Wisconsin; and Sunnyvale, California. Site visits were made between February and April, 1997. All three case study reports can be found on the project's website.
- ✍ Staffed a toll-free hot line on fee-for-service.
- ✍ Participated in national and regional meetings of workforce development professionals interested in the fee for service concept, and
- ✍ Participated in the national fee-for-service workgroup, which will use the project's web site as a means for publishing any products developed.

*Through all of these activities, we have found that fee-for-service is an area of growing interest for a significant number of workforce development organizations, particularly for administrative entities currently operating under JTPA and emerging One Stop Career Centers. We found widespread acceptance for the notion that workforce development organizations should charge fees for some of the services provided to employers and job seekers. One in five of the organizations who responded to the comprehensive survey report that they are currently charging fees for some services. Three in five organizations that are not already charging fees believe that they should do so. The issue for most organizations, therefore, is not whether to charge fees for services, but under what conditions it makes sense and how to do it most effectively. The research undertaken by the Hampden County REB Fee-for-Service Project provides helpful information for workforce development professionals seeking answers to these and other important questions.*

*We also found that actual fee-for-service revenue is very modest, and we do not believe that it will ever replace grant income. There is widespread feeling that fee-for-service activities should not displace free services to those who need them, especially job seekers, in the publicly-funded workforce development system. However, fee-for-service activities are an important and useful tool for satisfying the needs of both employer and job seeker customers. These activities allow organizations to experiment with new types of services to meet workforce needs that are constantly emerging in response to the global economy and technological advances.*

*Although fee-for-service has not yielded large financial dividends, it has produced significant other benefits. In addition to better customer service, which all have experienced, the implementation of fee-for-service has allowed the policy boards overseeing workforce development organizations to re-think their roles and re-invent themselves as dynamic organizations able to meet the labor market challenges of the 21st century.*

This report offers a “snapshot” of fee-for-service activity as it currently exists in the workforce development system. It summarizes what we have learned from the research conducted through the system building grant, and identifies the characteristics of successful fee-for-service organizations (see Section IX).



## II. How widespread are Fee-for-service activities?

It is impossible to estimate precisely how many organizations currently charge fees for service. One issue is that workforce development organizations use different definitions of what is considered “fee-for-service.” While most receive their “core” funding through the Job Training Partnership Act (JTPA) and/or Wagner-Payser, many generate revenue from other public sources (e.g. welfare, vocational rehabilitation, school-to-work, JTPA discretionary, other state funds, etc.) In some cases these other funding sources form part of the funding base for One-Stop Career Centers; in other cases they do not. We would like to distinguish “fee-for-service” from the more general “revenue generation.” Therefore, for the purposes of our discussion, fee-for-service will be defined as fees charged directly to employer or job seeker customers for particular services, or consulting fees charged to other organizations. Other grant income will not be considered “fee-for-service.”

Using this definition, our research indicated that **one in five** of the 224 organizations that responded to the national survey are engaged in fee-for-service activity. Of those who responded, 60% identified themselves as JTPA Service Delivery Areas, 23% were State agencies, and 14% were One-Stop Centers. In terms of the status of the organizations, 61% were public agencies, 37% were private non-profit organizations, and 2% were private for-profit companies.

The application of the-fee-for-service concept differs from one community to another. However, our research documents a clear trend; namely that charging fees to **employers** for services is the **most common application**. Many workforce development professionals believe strongly that unemployed job seekers should receive free services as they navigate difficult periods in their lives. Moreover, private businesses are accustomed to paying for valuable services and in fact are sometimes suspicious of services that come for free.

It must be noted that of the 47 agencies that reported actually earning fee-for-service income last year, 11 agencies reported earning over \$100,000 and an additional 7 agencies reported earning between \$50,000 and \$100,000. These 18 agencies represent less than 10% of our responses. Fee-for-service activities that produce significant revenue are concentrated in a small number of “pioneers.” As of right now, fee-for-service is not a widespread phenomenon throughout the nation's public workforce development system.

What our research has found, however, is that a very large number of organizations are

*interested* in the concept of fee-for-service - even those who have not charged any fees yet. Only 7 percent of the respondents to the nationwide survey said that charging fees was inappropriate. Moreover, the project's toll-free information line on fee-for-service now generates from 30 to 70 calls per month.

We conclude that fee-for-service has the potential to become widespread in the workforce development system. The knowledge and experiences of the few "pioneers" should be made available for the education of the many who are beginning to be interested in this topic.



### **III. Why have Workforce Development Organizations become involved in Fee-For-Service activities... What were the Goals?**

The motivation for engaging in fee-for-service activities differs from one organization to another. The main reason given by most organizations, however, *is better customer service*. In some cases, this means being able to serve customers in a way that they could not under the public funding streams. Of those currently engaged in fee-for-service activity, 75% said they wanted to enhance services for employers and 60% said they wanted to enhance services for job seekers. In most instances, the origin of fee-for-service grew out of a request by employers. For example, in 1988, Advanced Micro Devices (AMD), a leading manufacturer of integrated circuit chips requested the North Santa Clara Valley, California, Service Delivery Area (hereafter NOVA) to provide individualized assessment and training for incumbent workers. As NOVA did not have a public grant that could fund such a project, AMD agreed to pay for the service.

In addition to being responsive to employers, some workforce development organizations also charge fees to job seekers for additional services, such as specialized assessment tests (e.g. Myers-Briggs). Others charge job seekers who are not eligible for the JTPA-funded free services the organization offers. For example, a number of workforce development programs charge fees to employed job seekers for individualized resume preparation. The concept of "universal" access--without the funds to pay for a full range of services--has driven many organizations to the logical conclusion that they will have to charge some people for some services.

Almost two-thirds of survey respondents said that their motivation for fee-for-service is to replace declining grant revenues. While this motivation is understandable, the magnitude of the fee-for-service activity to date would not meaningfully replace grant revenue. Another motivation for fee-based activity is to create a flexible pool of resources to use for new or innovative services, outside the restrictions of grant funds. Most of the "pioneers" have in fact created and are using such a flexible pool to experiment.

In most places, involvement in fee-for-service activities was not the result of a conscious, well-thought-out strategy. Most organizations seized an opportunity that presented itself. For most, fee-for-service represents an extension of existing program or service capacity. Often, fees were charged for services that customers asked for that were not covered through any public

funding source. Some examples include:

- ✍ Portland ME found that they could charge fees to fill "empty seats" in their regular JTPA computer classes.
- ✍ Bangor ME found that clients who are not eligible for free JTPA services are willing to pay a modest fee for a JTPA-type assessment and job search counseling.
- ✍ NOVA's local economy creates a great demand for all sorts of re-employment services in the high-tech firms.

Fee-for-service activity has evolved in response to customer needs and in order to take advantage of opportunities that presented themselves. It generally builds on an organization's strengths, and does not represent a great shift in any organization's mission beyond becoming customer-oriented and entrepreneurial. Fee-for-service is easier and more natural than usually perceived.



#### **IV. WHAT SERVICES ARE OFFERED FOR A FEE?**

There is quite a diversity of services for which fees are charged. Most organizations are charging fees for services that are very similar to their traditional employment and training services. For example:

- ✍ FutureWorks One-Stop Career Center in Springfield, Massachusetts conducts specialized job fairs and offers customized screening for employers
- ✍ NOVA PIC offers skills testing (i.e. typing skills) to both employers and job seekers
- ✍ Many workforce development organizations offer fee-based services to employers related to corporate downsizing and outplacement services
- ✍ The Western Wisconsin PIC and the Workforce Development Center in Pewaukee, Wisconsin, offer consulting services to other public agencies in areas such as how to successfully work with the private sector
- ✍ The Chautauqua County (NY) PIC offers pre-employment training and manufacturing skills training for new and incumbent workers as a fee-based service to employers
- ✍ Several workforce development organizations charge fees for enhanced job seeker services, including individualized resume preparation, career interest testing, basic computer skills and others.

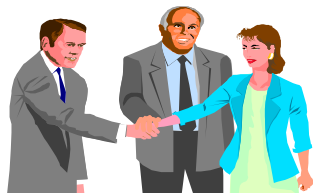
More unusual examples include:

- ✍ The Chautauqua County (NY) PIC offers training in quality standards, such as ISO 9000



- ✍ The Western Wisconsin PIC conducted a turnover and employee satisfaction study for a local employer
- ✍ The Southwest Wisconsin PIC leases staff to the county
- ✍ The DeKalb County (Georgia) PIC translates HR/personnel manuals for employers
- ✍ The North Central Pennsylvania PIC runs an Internet service.

In deciding to offer fee-based services, and in determining which services to offer, organizations carefully consider issues which are sensitive at the local and state levels, and they gauge the competition. For example, the Western Wisconsin PIC decided not to go into competition with local Staffing Services or the local Technical College because both were felt to be allies. In both La Crosse and Pewaukee, Wisconsin, decisions were made to pursue fee-based services only for employers. Thus, there is thought and consideration given to which services are right for each local program or organization.



## **V. MARKETING FEE-BASED SERVICES**

Because most fee-based services are offered to businesses, most marketing is aimed at employers. This was true in all of the case study sites, and 80% of survey respondents who already offer fee-based services say they have a strategy for marketing these services to employers. Only 36% who responded said that they marketed fee-based services directly to job seekers.

Several organizations have undertaken market research in order to decide which services to offer, who to offer them to, and how to market them. FutureWorks One-Stop Career Center in Springfield, MA conducted a telephone survey of employers to gauge the current level of satisfaction with free services, employers need for various fee-based “enhanced” services, and employers openness to engaging FutureWorks to perform these fee-based services. Others sent written surveys out to employers.

In terms of marketing techniques, the most common method for marketing fee-based services is by assigning existing staff to market to employers. This is usually done either by telephone or personal visit. Several programs have marketing materials for fee-based services. Less than a third of those offering fee-based services do mailings to employers or media advertising. Only 26% of respondents say they have a “formal marketing plan.” Most fee-for-service customers are in fact employers who have already had prior contact, and sometimes long-standing relationships, with the workforce development organization and who know it well. “Word of mouth” is an important marketing vehicle.

Even less is done to market fee-based services to job seekers. In some cases, there is a price list for individuals who are not eligible for free services. In others, there is a brochure or list

of enhanced services that are offered for a fee. Generally, staff inform job seekers of fee-based services.

In summary, marketing efforts are in keeping with the overall low-key "organic" nature of fee-for-service activities, and represent the expansion of known services and capabilities throughout a known customer base. It should be noted that after an initial period of informal marketing, several "pioneer" organizations have begun to develop more formal marketing strategies and plans. For example, NOVA received a system-building grant from the U.S. Department of Labor to further develop marketing plans and activities in the fee-based service arena. After gaining some experience with fee-based services, the Western Wisconsin PIC is now honing its selling philosophy.



## VI. OPERATIONAL ISSUES IN FEE-FOR-SERVICE

In most of the organizations we studied, fee-for-service activities are fully integrated with other services offered. In more than nine in ten organizations, the services for which fees are charged are **carried out by the same staff** who deliver free services. Integrating fee-for-service into the organization tends to reflect the view that fee-for-service is another vehicle for meeting customer needs. In some cases, separate divisions or identities have been developed for the fee-for-service component. For example, the Western Wisconsin PIC calls its fee-for-service component "Employment Solutions" to distinguish it from other PIC activities; however, it is staffed by the same individuals who offer free services. In no organization we have encountered is fee-for-service a large enough activity that it requires a completely separate staff. The formal structure of a fee-for-service component depends in part on the organization's legal status, its charter and/or local or state laws and regulations, and whether these allow the organization to charge fees or to make a profit.

One of the most complex issues for organizations entering into the fee-for-service realm has been pricing services. In most instances, workforce development organizations are accustomed to budgeting routines that require them to allocate resources to cover costs. This practice has been carried over into the fee-for-service arena in most organizations. Most prices are set to cover costs. A few organizations, generally those who are more advanced in fee-based services, build in a fee or profit, and these fees or profits are almost always charged in connection with services to employers. Thirty percent make some price comparisons to similar services offered in their community. Some services are priced by the hour, some by the piece; some are fixed-unit priced. The use of a sliding scale to adjust prices to the customers' economic status or "eligibility" is very rare. Few organizations have developed sophisticated unit pricing strategies. Job seekers are rarely asked to pay more than the organization thinks it costs to deliver the service.

Given current pricing practices it is not surprising that few organizations generate significant excess revenues or "profits" from their fee for service activities. We only have revenue

estimates from a handful of organizations. There is a huge disparity of income generated from services provided for a fee. For example in La Crosse Wisconsin, accrued revenue attributed to fee-for-service activities in 1996 was \$105,492, but the net profit was only \$5,416. Conversely, NOVA currently has a \$170,000 surplus in its fee-for-service account, but this is over a long period of time. Generally, these net revenues are used to enhance services, develop new services and to provide general support to the workforce development organization.

Competition with other non-profit and for profit organizations could be a byproduct of initiating fee for service strategies. Nearly seven in ten respondents indicate that for-profit firms offer the same workforce development services to employers that they do; yet, only 14 percent say that those firms have complained about their organization offering fee-based services. Over 40% of the respondents to the survey also reported that non-profit organizations offer the same workforce development services. Again, only 19% reported receiving complaints about their decisions to charge fees for similar services.

The lack of complaints in most communities is due to several phenomena. First, fee-for-service is not a major activity for most workforce development organizations so it is barely visible to outsiders. Because of the “low-key” approach to fee-based services, it may be that these activities have not yet come to the attention of possible competitors. Second, many of the communities offering fee-based services are in less populated areas, where there is little private sector competition, leading to fewer complaints. Lastly, the workforce development organizations know their communities and are sensitive to the priorities of powerful interests in these communities. They are careful in deciding which services to offer for a fee, to avoid upsetting organizations considered allies. This is especially true with private-for-profit staffing services and private non-profit community or technical colleges.

Most organizations which deliver fee-based services report no problems with audit or government oversight. Most organizations engaged in fee-for-service activity tend to be very knowledgeable about the differences between program income and unrestricted income. They have systems which allow them to code expenses properly. Most have a cost-allocation system to keep track of their fee-for-service revenues and costs just as they keep track of their various grants. Most have undergone successful audits in the past. In addition, the “pioneer” fee-for-service organizations have knowledgeable staff to administer their financial systems.



## VII. OBSTACLES TO FEE-FOR-SERVICE ACTIVITIES

Individuals from organizations currently offering fee-based services have very different perceptions regarding obstacles than individuals working in organizations that have not yet delivered such services. Those who have not yet engaged in fee-based services are much more likely to cite major obstacles than those with experience. Inexperienced respondents are **seven times** more likely to say that employers will resist paying fees and **three times** more likely to say

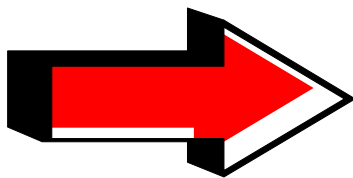
that job seekers will resist. The inexperienced respondents are nearly **four times** more likely to say that federal laws and regulations are major obstacles. And, they are **twice** as likely to mention state laws, regulations or policies as major obstacles. (see Table on Attachment A)

It would appear that the experienced organizations have largely overcome concerns about external obstacles, such as federal or state regulations and laws and are now focusing on internal concerns, such as lack of business experience or staff resistance. In contrast, the inexperienced respondents are still largely concerned with external problems that might inhibit a fee for service strategy. An additional obstacle mentioned by some of the organizations studied in detail was simply the lack of time, or press of other business, which slowed the development of fee-for-service activities.

State agencies interested in offering fee-based services do encounter greater legal obstacles than other types of entities. Recently, research was conducted for The Center for Employment Security Education and Research regarding the feasibility of the Employment Service charging fees to employers to use the proposed on-line America's Talent Bank, a sister service to the existing America's Job Bank. This research pointed out legal issues in most states which would have to be dealt with before these State agencies could charge fees. (The full text of this research can be found in the web site's on-line library) To date, in most areas where the employment service is a partner within a One-Stop Career Center where fee-for-service has been implemented, the development and provision of those services has been managed by one or more of the other partners, e.g., the local administrative entity designated by The Job Training Partnership Act, the corresponding Private Industry Council, the community college, etc.

Finally, it should be noted that all of the successful or "pioneer" fee-for-service organizations had very good or excellent reputations at the time they started charging fees -- by and large, they already had credibility with their customers. It is possible that employers and job seekers would resist paying fees for services to an organization which they do not respect or have confidence in.

That being said, it still appears that fee-for-service is not as difficult as some imagine, but technical assistance is needed. Organizations considering fee-for-service requested information and technical assistance in a number of different areas.



## VIII. SUMMARY & NEXT STEPS

Organizations that are pursuing fee-for-service strategies are generally very enthusiastic about its current benefits and future prospects. As mentioned, our research shows that while many workforce development organizations are interested in fee-for-service activities, only a few have actually undertaken them. **In summary, we can make the following *observations* about**

**the successful fee-for-service "pioneers" that we have encountered in our study:**

- ✍ The pioneers tend to have a strong PIC or Oversight Board that has given the organization a well-defined mission and purpose. This mission tends to be strongly related to serving "customers"--local job seekers and employers--and helping them solve their unique problems. The Board/PIC is very aware of the needs of the local economy and its employers, who are well represented among the Board's members.
- ✍ The pioneers have an entrepreneurial management. Success in fee-for-service is largely a matter of taking advantage of opportunities. The organization's management must understand its capabilities and how they can be applied in new situations. [e.g. NOVA's marketing study concluded that HR directors don't buy "programs"; they buy "creative thinking and problem solving."]
- ✍ The pioneers have all built a good reputation at performing traditional employment and training activities so that potential fee-for-service customers trust them to provide new services. They also tend to treat employers as valued customers.
- ✍ All have developed the organizational and staff capacity to manage what is essentially a business. Staff have the belief that charging fees allows the organization to expand its capabilities and serve customers better.
- ✍ Many successful fee-for-service organizations are located in geographic areas where there are few competitors. This encourages and facilitates expansion of services into otherwise unfilled niches. Few workforce development organizations in large and crowded cities have had much success developing fee-for-service programs.
- ✍ Successful fee-for-service components are usually the result of successfully exploited opportunities, rather than the result of careful and deliberate advance planning.
- ✍ Successful fee-for-service activities are usually an extension of the organization's traditional activities rather than a radical break with the past. This includes marketing the new fee-based services to traditional customers with which the organization already has a track record.
- ✍ Often, these organizations generate revenue from other public sources, or have experience securing non-traditional funding of some sort.
- ✍ Successful providers tend to have a self-image as organically growing and changing organizations. They are flexible and want to try new and different ways of providing services. In addition, they have the commitment to work through the problems associated with trying something new and different.
- ✍ Once established, agencies expand their fee-for-service programs through word of mouth from satisfied customers.

✍ Barriers to successful fee-for-service programs are largely in the mind of the beholder. *If you believe you can, you can.*

These current practitioners indicated that fee-for-service has given them the flexibility to respond to customer needs in ways that are not possible strictly with public funds. Others told us that charging fees had given them a great opportunity to show how good they really are! The vast majority (83%) plan to expand their fee-for-service activities. Only 2% do not plan any expansion. There are many realized and potential benefits.

Probably the most important benefit of fee-for-service activity is that it has helped organizations become more responsive to all of their customers--whether they pay a fee or not. In some cases, it was this desire to be responsive to customers that led them into fee-for-service activity. Offering these services has helped workforce development professionals become more sensitive to meeting the demands of the marketplace and this, many respondents told us, has made their organizations stronger and more responsive.

**So what are the “Next Steps”?** It is our belief that many existing programs could benefit from the addition of a fee-for-service component to provide more and varied services to their customers. Workforce development professionals are eager for more information about how to develop a fee-for-service component in their organizations. We will pass these requests on to the US Department of Labor and will also try to address the provision of this assistance in future project activities. Specifically, assistance has been requested in such areas as:

- ✍ Marketing and Creative Selling
- ✍ Options for Delivering Services for a Fee
- ✍ Business Strategies, such as Pricing and Developing a Business Plan
- ✍ Legal Issues in Fee-for-Service
- ✍ Involving Staff in a Fee-for-Service Strategy
- ✍ The Roles of the Governing/Oversight Board

While fee-for-service cannot and should not replace public funding for workforce development activities, it can be an important and useful tool for satisfying the unique workforce development needs that are constantly emerging in response to the global economy and changes in technology. *We believe that it is worth the investment.*

*Finally, we invite your comment and feedback on this paper and on our findings to date...* what do you agree and/or disagree with? what do you need technical assistance on that is NOT mentioned here?

**PLEASE PROVIDE YOUR FEEDBACK BY:**

**COMMENTING ON OUR ON-LINE FORUM (select the Research Paper discussion folder to post your message)**

**OR BY:  
CALLING CHRISTINE ABRAMOWITZ AT 1-800-787-1516**

## **ATTACHMENTS**

**OBSTACLES: PERCEIVED AND REAL**

The following table provides responses to the REB's survey which indicates the **perceived obstacles to establishing fees for service as seen by agencies without fee for service experience AND the actual obstacles that were faced by those who had experience with fee-based services:**

See Section VII. for a discussion on this topic!

	Inexperienced vs. Experienced (percent responding)	
federal laws and regulations	57	15
State laws, regulations, or policies	54	28
lack of information on permitted activities	53	28
Inexperience with business strategies	35	11
concerns of governing or oversight boards	33	17
staff resistance to charge to jobseekers	32	26
concern regarding liability of service / product quality	31	9
resistance by employers to pay fees	30	4
private sector competition	25	23
licensing issues	20	11

**Source:** Hampden County REB Fee for Service Project National Survey of Workforce Development Professionals, Conducted December 1996 through February 1997.



## **SUMMARY OF OUR CONCLUSIONS**

1. The concept of “fee-for-service” is an area of growing interest for a significant number of workforce development organizations across the country, particularly for administrative entities currently operating under JTPA and emerging One Stop Career Centers.
2. While actual fee-for-service activity is modest, there is widespread (93%) acceptance of the idea that workforce development organizations should charge fees for some of the services provided to employers and job seekers.
3. The clear trend in existing fee-for service activity is to charge employers for specialized or enhanced services. Many fewer organizations charge fees to job seekers. This reflects strong feelings in the workforce development community that job seekers, especially those that are unemployed, should have a full range of free services available to them.
4. The main motivation for charging fees is to provide better customer service. Those engaged in fee-for-service activity believe that it has helped their organizations become more responsive to all customers, whether they pay a fee or not. Fee-based services have tended to add diversity and choices to the services offered by an organization. They have not displaced or reduced free services to job seekers or employers.
5. Additional motivations include the desire to replace reduced grant revenue and the wish to create a flexible pool of funds to use for new or innovative services, outside the restrictions of grant funds.
6. Most services offered for a fee are similar to traditional employment and training services: recruiting, testing, job task analysis, outplacement services, computer skills training. An organization generally builds on its strengths.
7. The primary market for fee-based services is existing employer customers, and services are usually offered in response to customer needs or requests.
8. The most common method for marketing services is by assigning staff to market to employers, either by telephone or personal visit. Some organizations have marketing materials.
9. In almost all cases, fee-for-service activities are fully integrated with other services offered. In some cases, fee-based services have a different identity or name, which distinguishes this activity from free services.

10. Fees are usually set to cover costs, both direct and indirect. Very few organizations realize significant excess revenues or profits from their fee-for-service activities. Of the 47 workforce development organizations that reported earning fee-for-service income last year, 18 earned more than \$50,000 in total revenues; the average level of *profit* was only a small portion of this amount.
11. There have been few complaints from competitors, public, non-profit or private. This reflects the modest scale of fee-based activity, the location of the most successful operators in less-populated areas, and the careful selection by these operators of which services to offer for a fee.
12. No audit problems have been reported among those engaged in fee-for-service activity. Revenues and expenses are coded and kept track of separate from grant activity, and separate from “program income” associated with grant activity.
13. The “Pioneer” fee-for-service organizations tend to have an entrepreneurial management, which is able to take advantage of opportunities. These organizations also tend to have strong oversight boards that have given these organizations a well-defined mission and purpose.
14. Successful fee-for-service providers have all built good reputations at performing traditional employment and training activities so that potential fee-for service customers trust them to provide new services.
15. Those who have not yet engaged in fee-for-service activity are much more likely to cite major obstacles than those with experience in this area. It appears that fee-for-service is easier than many think!
16. Many organizations are considering fee for service activity and have expressed a need for assistance in such areas as information about permitted activities, business strategies (including pricing and developing a business plan), marketing, and options for service delivery.
17. While fee-for-service cannot and should not replace public funding for workforce development activities, it can be an important and useful tool for satisfying the unique workforce development needs that are constantly emerging in response to the global economy and changes in technology.

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